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TAGS: [ECON](#) [EFIN](#) [PGOV](#) [PREL](#) [PINR](#) [TW](#)
SUBJECT: FSC CHAIRMAN BECOMES FIRST ECONOMIC OFFICIAL TO
LEAVE MA CABINET

REF: TAIPEI 525 (NOTAL)

Classified By: Stephen M. Young, AIT Director, for reasons 1.4 (b) and (d).

¶1. (C) SUMMARY. In the Ma Cabinet's first change of economic personnel, Financial Supervisory Commission (FSC) Chairman Gordon Chen has resigned, nominally due to his poor performance in steering Taiwan through the global financial crisis. Reportedly, however, Chen was pressured to resign in the wake of internal Cabinet disagreements over the ongoing investigation of former President Chen Shui-bian and his family's alleged involvement in illegal financial transactions. Sean Chen, a respected former financial sector official and banking executive, is the new FSC Chairman. The transition between FSC Chairman is unlikely to have a major impact on Taiwan's financial policy. END SUMMARY.

¶2. (C) Created in 2004, the Financial Supervisory Commission (FSC) is the only cabinet agency independent from the Executive Yuan (EY). Like the Governor of the Central Bank, the FSC Chairman is nominated by the Premier and approved by the President. The FSC Chairman is appointed to serve a four-year term, and can only be removed from office if found guilty of criminal wrongdoing. According to our contacts in the financial policy community, President Ma reportedly instructed the EY on August 21 to investigate whether or not former First Lady Wu Shu-jen intervened in Taiwan's second stage financial reform initiative, which is managed by the FSC. On August 24, FSC Chairman Gordon Chen, appointed to the position by Ma after the March presidential election, issued a report stating that the FSC had not found any indication of problems in implementing the financial reform initiative. According to our contacts, Chen's report upset Premier Liu Chao-shiuan, who on August 27 responded by telling Chen not to get further involved in the ongoing investigation of Wu Shu-jen for alleged illegal financial transactions (ref a). In the meantime, the Prosecutor General's Special Investigation Division (SID) is investigating roughly half of Taiwan's financial holding companies as part of the Wu Shu-jen case.

¶3. (C) Premier Liu accepted Chen's resignation on November ¶28. According to an administration press release, Chen resigned over his lack of success in limiting the impact of

the global financial crisis on the Taiwan economy. However, our contacts claim Chen was pressured to resign by senior Ma administration officials as the result of internal Cabinet frictions over the investigation into the former First Family's financial irregularities.

¶4. (C) Chen has been replaced as FSC Chairman by Sean Chen (Chen Chung), a former Vice Minister of Finance and Taiwan Stock Exchange Chairman (reftel) who until recently served as chairman of SinoPac Holdings, which is part of the Koo family's privately-held China Trust Holdings group.

¶5. (C) COMMENT. With limited international exposure, Taiwan's financial sector has fared relatively well during the current global crisis. Whatever his shortcomings in that respect, Gordan Chen may have in fact fallen victim to internal Cabinet tensions related to the ongoing investigation of the former First Family. We have had regular contact with Sean Chen, an accomplished technocrat who is widely respected in local financial circles. END COMMENT.

SYOUNG